

RANGER OIL (Canada) Limited

ANNUAL REPORT 1965



RANGER OIL (CANADA) LIMITED
and subsidiary companies

Highlights of 1965
Reviewed and Compared with Previous Years

FINANCIAL	1961	1962	1963	1964	1965
Total income from all sources	491,302	698,282	676,970	778,163	761,666
Net income from oil and gas sales after royalty and lifting costs	398,602	552,969	531,780	584,780	551,893
Cash operating income	229,409	321,840	390,626	481,546	358,737
Interest and Discount on long term debt	8,771	15,251	1,691	4,007	72,439
Net Income (loss)	53,464	108,285	(9,416)	342,432	222,829
Shares outstanding	1,587,399	1,587,399	1,587,399	1,587,399	1,607,399
OPERATING					
Oil Production — Ranger's share of gross barrels	184,698	227,638	170,318	166,954	185,750
Gas Production — Ranger's share of gross MCF	965,881	1,584,883	2,908,928	3,404,991	2,877,545

The front cover, with its stars showing Ranger's properties, symbolizes our greatly increased exploration and acquisition policies.

SENIOR PERSONNEL:

D. G. FLANAGAN	Assistant Secretary
A. B. WIIGS	Production Superintendent
D. G. PENNER, B.Sc., P.GEOL.	Consulting Geologist
H. H. CHRISTIE, B.Sc., M.Sc.	Senior Geologist
W. E. HOWLETT, B.Sc., M.Sc., P.ENG.	Senior Engineer

Officers and Directors

J. M. PIERCE, B.Sc., P.ENG. — *President and Director, Calgary, Alberta*
E. O. PARRY — *Vice-President, Secretary-Treasurer and Director, Calgary, Alberta*
F. R. MATTHEWS, Q.C. — *Director, Calgary, Alberta*
E. M. BRONFMAN — *Director, Montreal, Quebec*
W. B. MILNER — *Director, Vancouver, B.C.*

Registrar and Transfer Agent

GUARANTY TRUST COMPANY OF CANADA
311 - 8th Avenue S.W., Calgary Alberta
366 Bay Street, Toronto, Ontario
427 St. James Street West, Montreal, Quebec
624 Howe Street, Vancouver, B.C.

Solicitors

ALLEN, MacKIMMIE, MATTHEWS, WOOD, PHILLIPS & SMITH
505 - 2nd Street S.W., Calgary, Alberta
KEITH, GANONG, MAHONEY & KEITH
25 Adelaide St. West, Toronto, Ontario
BARRETT & BARRETT
Lusk, Wyoming
COLLINS, HUGHES, MARTIN, PRINGLE & SCHELL
1400 Wichita Plaza Building, 145 North Market Street, Wichita 2, Kansas
NORTON, ROSE, BOTTERELL & ROCHE
Kempson House, Camomile Street, London, E.C. 3, England

Auditors

RIDDELL, STEAD, GRAHAM & HUTCHISON
309 - 8th Avenue S.W., Calgary, Alberta

Bankers

THE ROYAL BANK OF CANADA
Main Branch, Calgary, Alberta
THE FOURTH NATIONAL BANK
AND TRUST COMPANY, WICHITA
Wichita, Kansas

Principal Business Office

Second Floor, 300 - 5th Avenue S.W., Calgary, Alberta

Registered Office

25 Adelaide Street West, Toronto, Ontario

President's Report To The Shareholders

1965 has been one of the most successful and progressive years in the company's history. Land holdings were greatly expanded, from the U.S. Gulf Coast through the Rocky Mountain States to Northern Alberta, Saskatchewan and the Northwest Territories. Drilling operations for the year resulted in the completion of 22 wells, two of which were dry while 20 were producing oil wells. In the aggregate, your company doubled its investments in oil and gas properties and development during 1965.

The focal point of your company's activities was in the Mitsue area where 17 wells were drilled, all productive, resulting in new proven developed oil reserves of several million barrels net to Ranger's interest,

FINANCIAL

1965 income from all sources was approximately the same as 1964. During the year production from most of the Company's properties was decreased by the reduced allowables in Alberta under the new Government proration scheme. The Company also suffered a substantial decrease in domestic Alberta gas sales due to intrusion of flare gas from the depleting Pembina and Swan Hills oilfields. This oilfield gas has priority to market under Alberta law. These decreases were successfully offset by the production received from our new areas which began production midway through the year. It is expected that 1966 will show a substantial increase in oil production.

In part, the Company has financed its investments in the Mitsue area through bank loans, secured by production from other properties, and as a result have incurred loan interest charges of \$72,439 during the past year.

EXPLORATION POLICY

The Company's prime area of exploration interest is the Middle Devonian trend which stretches from Central Saskatchewan across Northern Alberta into the Northwest Territories. The main potential reservoir rocks in this trend are the Beaverhill Lake group, Muskeg and Keg River carbonates and the Gilwood sandstone. The Beaverhill Lake group includes the Swan Hills and Slave Point carbonates, the former is the productive zone at Swan Hills, Sturgeon Lake and Deer Mountain fields; the Muskeg and Keg River are the producing horizons at Rainbow and the Gilwood sandstone is the producing horizon at Mitsue and Nipisi. (See map pages 12 & 13)

At Mitsue, near the Town of Slave Lake, we have established several million barrels of reserves net to the Company's interest with the drilling of seventeen development wells during the year. We have had, of necessity, to keep this program very secret during the past year and a half while we were acquiring new Crown lands evaluated by the drilling of the numerous wells. In the Northwest Territories, the Company owns three permits with a net interest to Ranger of 183,816 acres. In Central Saskatchewan, in 50-50 partnership with Pembina Pipe Line Limited, we own 111,727 acres.

The Company has continued its policy of further land acquisition in Northeast British Columbia and now owns 35% in a block offset to a new oil well being completed by Texaco of Canada Ltd.

FOREIGN EXPLORATION

Ranger's interest in the North Sea last year has led the Company into further foreign studies. Ranger is the operator for a group of Canadian companies actively pursuing foreign exploration at this time. Because of security necessary on the project, we regret we cannot give further details.

DIVERSIFICATION POLICY

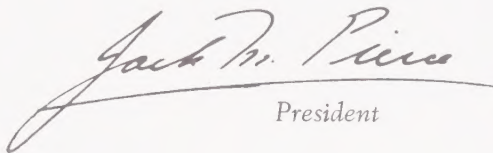
A few years back, during periods of lower oil activity, the Company had acquired several small diversifications. These have all been sold at a profit and the Company has no present active diverse interests.

FUTURE MARKETS FOR CANADIAN OIL

The development of large new oil reserves in Northwestern Canada in the Mit-sue, Nipisi and Rainbow fields will sharply enhance the future market opportunities for Canadian oil. These large reserves should enable Canada to penetrate and capture U.S. markets that have previously been inaccessible. This applies particularly in the Detroit and Chicago areas. Canada can now assure a long-term reserve with great safety. This has previously been the prerogative only of Venezuela in the Western Hemisphere.

SUBMITTED ON BEHALF OF THE BOARD OF DIRECTORS:

March 1st, 1966.


President

RANGER OIL (CANADA) LIMITED and subsidiary companies

Synopsis

Gross Acres	334,163
Net Acres	252,399
Gross Producing Oil Wells	63 Wells
Gross Gas Wells	34 Wells
Incorporated Province of Ontario	August 21, 1950
Capitalization	3,000,000 N.P.V. shares
Issued, as at December 31, 1965	1,607,399 shares
In Treasury, as at December 31, 1965	1,392,601 shares
Listed	Canadian (Montreal) Stock Exchange Toronto Stock Exchange Calgary Stock Exchange Vancouver Stock Exchange

PROVEN DEVELOPED RESERVES After Royalty:

Oil	5,645,000 Barrels
Gas	76.211 Billion Cubic Feet

(Note: On May 13, 1954, Company name changed from Maygill Petroleum Company Limited to West Maygill Gas and Oil Limited. All outstanding shares were exchanged—ten shares of Maygill Petroleum Company Limited for one share of West Maygill Gas and Oil Limited.

Company name changed October 5, 1958 from West Maygill Gas and Oil Limited to Ranger Oil (Canada) Limited.)

R. 6.

R. 5

R. 4

R. 3, W. 5 M.

TWP.
74TWP.
73TWP.
72TWP.
71TWP.
70TWP.
69

LESSER SLAVE LAKE

SLAVE LAKE

Mitsue Lake

MITSUE FIELD
LIMIT

MITSUE

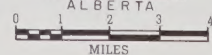
RANGER INTERESTS IN MITSUE AREA

Township and Range	Section	Working Interest %
T. 70, R. 4, W. 5 M.	All 13	16.6
T. 71, R. 4, W. 5 M.	All 6 and 7	34.5
	All 18	25.1
	NW/4 26, N/2 27, SW/4 34	25.1
	All 35	12.5
T. 71, R. 5, W. 5 M.	All 25 and 26	8.3
T. 72, R. 5, W. 5 M.	All 1	16.6
	All 2	8.3
	All 22 and W/2 27	16.6
T. 73, R. 5, W. 5 M.	All 25	33.6
Total Acreage — 8,000 acres		

REFERENCE

- LOCATION
- OIL WELL
- ✱ SUSPENDED
- ✱ ABANDONED

RANGER ACREAGE

MITSUE AREA
ALBERTA

Oil Properties

ALBERTA

Slave Lake - Mitsue

As reported last year, in late 1964 a group of oil, mining and pipeline companies, with Ranger as the largest interest holder, acquired a large position in the new Slave Lake - Mitsue major oil field. The basic land acquired served as a platform for drilling and evaluation, which has resulted in considerable expansion of our holdings, as shown on the accompanying map.

As the program developed, Ranger increased its interest in the new acquisitions to where on the latest acquisition, we own 34.5% interest. Attached is a table of all development wells drilled, giving Ranger's interest, choke size and the initial potential of the wells.



Mitsue Lake in foreground, Lesser Slave Lake in background.

The Mitsue field is now connected to Edmonton by the Mitsue pipeline and marketing of production is now fully underway. This will give us a considerable income increment in 1966. During 1965, our revenue from the field was only some \$38,000.

Mitsue oil is of a very high quality, being 41° gravity, sweet crude. It also has a very low pour point, which is of considerable advantage in that the crude can be handled easily, even at low northern winter temperatures. The development of the gathering system and pipelines has been done using the most advanced modern techniques, with satellite batteries and remote controlled systems. The net result will be very low lifting costs. Even now, the netback per barrel is as high as the best quality crude in Saskatchewan which is some thousand miles closer to Eastern markets.



Development Wells Drilled

Well Description	Ranger Interest	Choke	Initial Potential (bbls. per day)
Mitsue 10-13-704 W5M	16.7%	20/64	569
Mitsue 10-1-72-5 W5M	16.7%	16/64	520
Mitsue 12-27-72-5 W5M	16.7%	16/64	552
Mitsue 10-22-72-5 W5M	16.7%	1	1,320
Mitsue 10-2-72-5 W5M	8.3%	16/64	717
Mitsue 10-36-71-5 W5M	8.3%	16/64	413
Mitsue 10-25-71-5 W5M	8.3%	16/64	170
Mitsue 10-35-71-4 W5M	12.6%	14/64	444
Mitsue 4-18-71-4 W5M	25.1%	1	505
Mitsue 10-18-71-4 W5M	25.1%	10/64	181
Mitsue 10-7-71-4 W5M	34.5%	20/64	264
Mitsue 10-27-71-4 W5M	25.1%	12/64	109
Mitsue 4-34-71-4 W5M	25.1%	22/64	250
Mitsue 4-22-72-5 W5M	16.7%		Testing
Mitsue 12-27-71-4 W5M	25.1%	16/64	294
Mitsue 12-26-71-4 W5M	25.1%	Open	144
Mitsue 10-6-71-4 W5M	34.5%		Testing
Mitsue 10-25-73-5 W5M	33.6%		Completing
Mitsue 4-25-73-5 W5M	33.6%		Completing

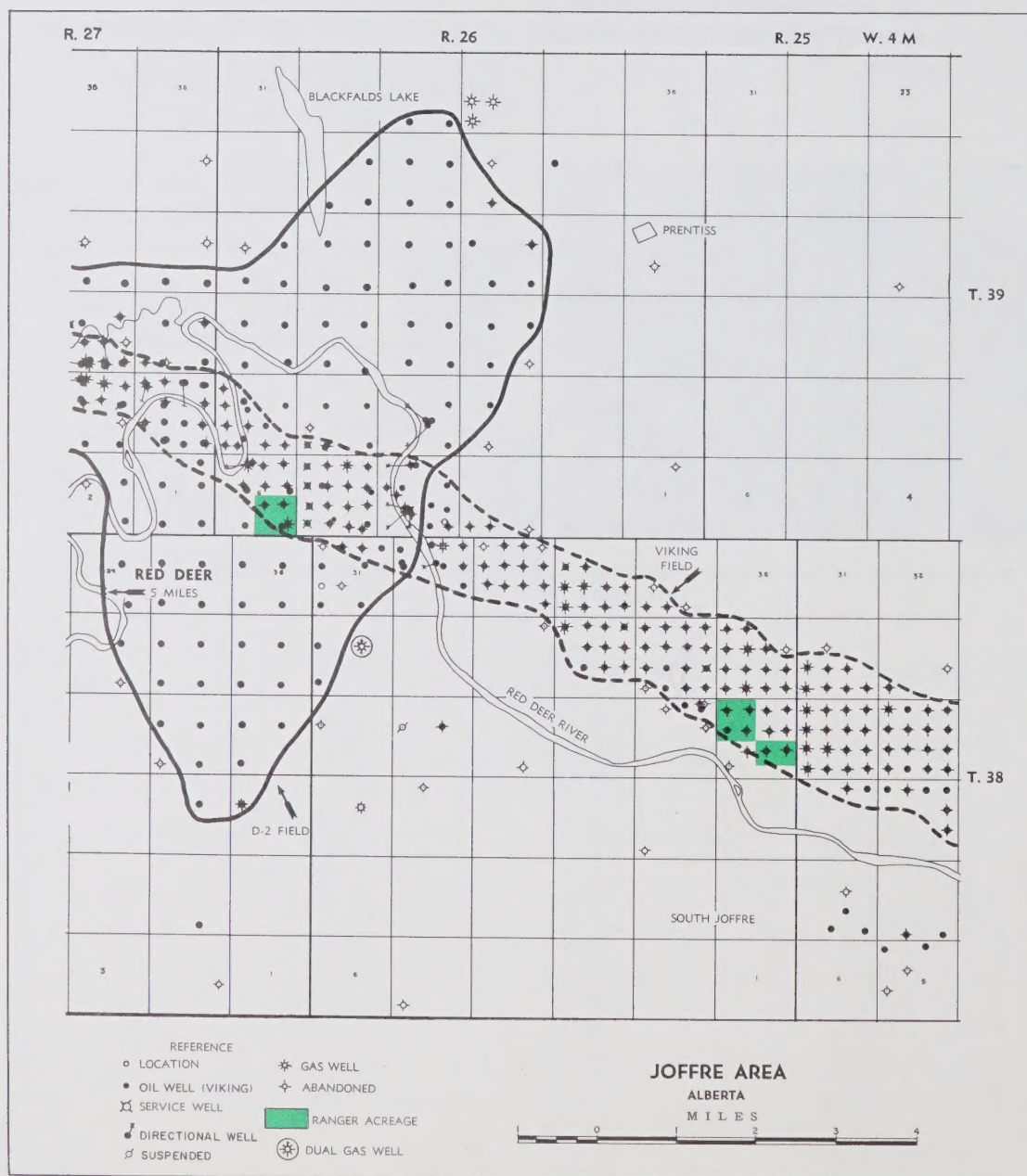
Joffre and Joffre Units

This field has been the scene of considerable activity for the Company. In the original main part of the Viking sand field the eight wells that we own with Great Plains Development Company of Canada Ltd., were unitized with the other operators and a water flood commenced. This flood was planned by the Joffre Engineering Committee with Core Laboratories Inc. as consultants. The flood has performed according to plan. With the success of this flood, recoveries are expected to be three times original primary.

In the west part of the field in 1958 we drilled

our SE¼ of Sec. 6, Twp. 39, Rge. 26 W4. The results exceeded our most optimistic expectations. The D2 well will produce 200 barrels per hour on a 28/64 choke maintaining 800 lbs. tubing pressure and 1,500 lbs. casing pressure. This well, just on the outskirts of the city of Red Deer, is therefore the equal of the big Venezuelan wells which can produce 5,000 barrels per day.

On the same quarter as the D2 well we have completed three Viking sand producers. These three Viking sand wells are part of Segment 'E' of the Joffre Unit. We own 85% interest in this property. Oil is 41° gravity, sweet.



Namao Unit

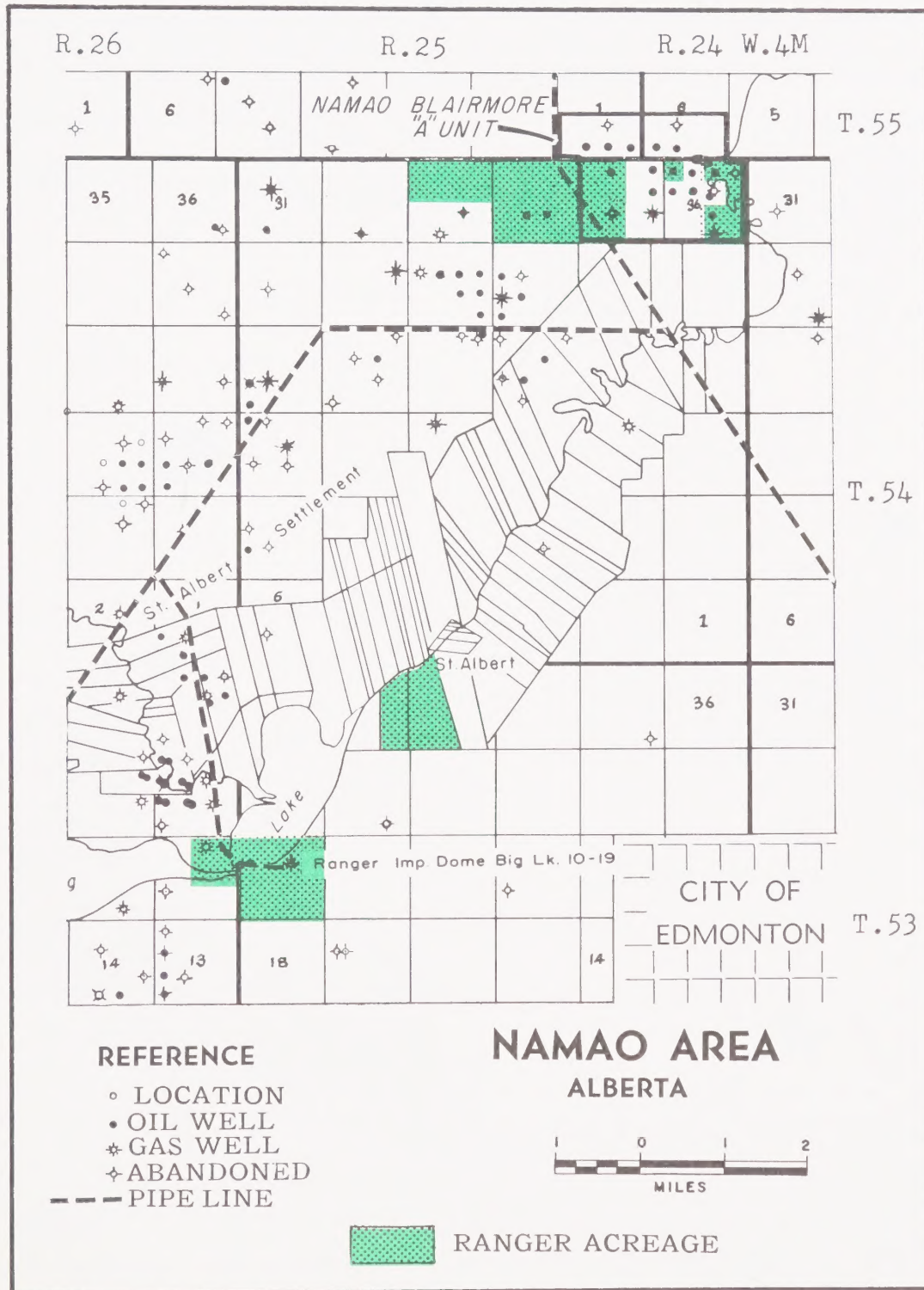
The Namao field proper was unitized in 1961, culminating several years of arduous negotiation. Oil production substantially increased and the Unit is marketing gas satisfactorily to Canadian Industrial Gas & Oil Ltd.

Namao

Ranger Sharp Bralsa Namao 6-34 was drilled

in 1959, being a west offset to our original 7-34 discovery. We encountered an excellent oil zone which drillstem tested 1,000 feet of clean oil. The well was completed as a flowing well and has maintained allowable production. Oil is 34° gravity, sweet.

Our original 7-34 discovery is now fourteen years old and is still capable of double its allowable production, no water.



Pembina Unit

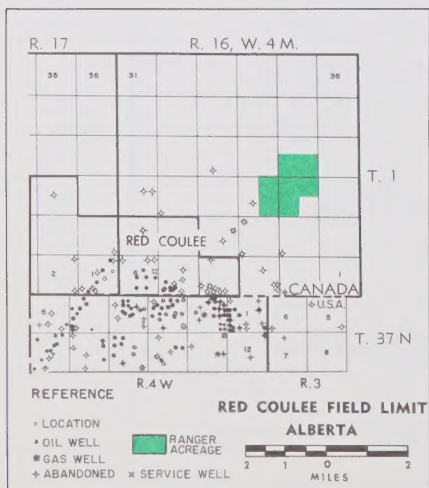
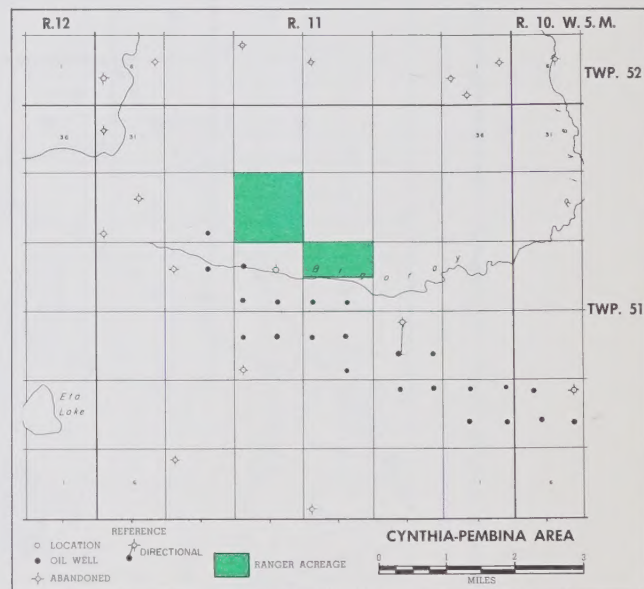
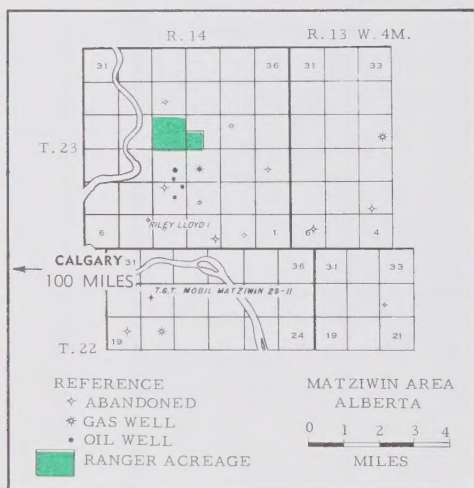
Our Pembina property, previously owned in partnership with Colorado Oil and Gas Ltd., now Great Plains Petroleum Limited, has now been unitized with several other companies to where we now own a share of a Pembina Unit.

Cynthia - Pembina Area

Ranger owns 960 acres in this area, described as follows, T51, R11, W5M, ½ Sec. 22 and all Sec. 28.

Matziwin Area

At the October 10, 1962 Crown Sale, we purchased all of Section 21 and the SW¼ of Section 22 in Township 23, Range 14 W4. These lands are the offset sections north of the Banff Pekisko and Detrital discoveries, 7-16-23-14 W4 and 7-15-23-14 W4. The 7-16 discovery recovered 3,130 feet of oil from the Pekisko at approximately 3,300 feet.



Red Coulee Area

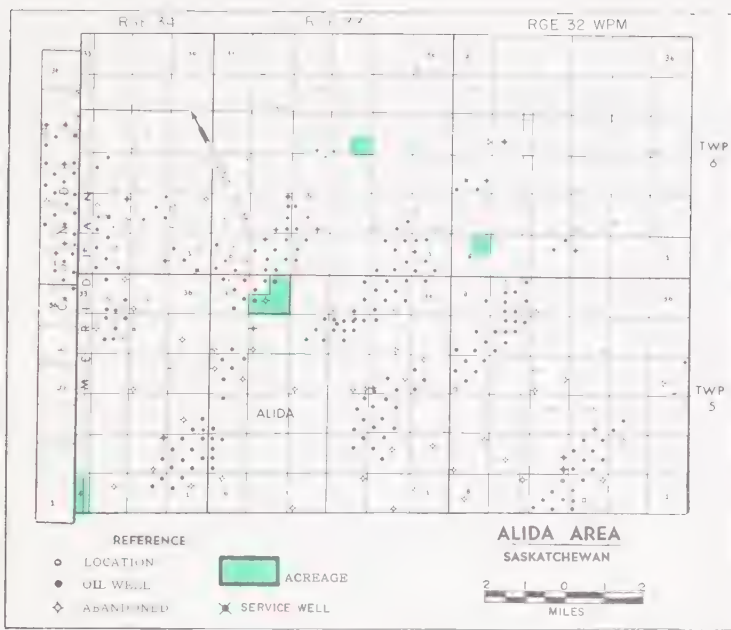
Ranger Oil purchased the E½ of Section 15 and S½ of Section 23 and N½ and SW¼ of Section 14, in Township 1, Range 16 W5M at the Calgary Mining Recorder Sale of August 25, 1965. This acreage is in an area of active exploration, where initial production as high as 1,500 barrels of oil per day has been reported from several wells in the general area; productive zone is the Moulton sand of Lower Cretaceous age. Ranger interest is 100%.

SASKATCHEWAN

Alida

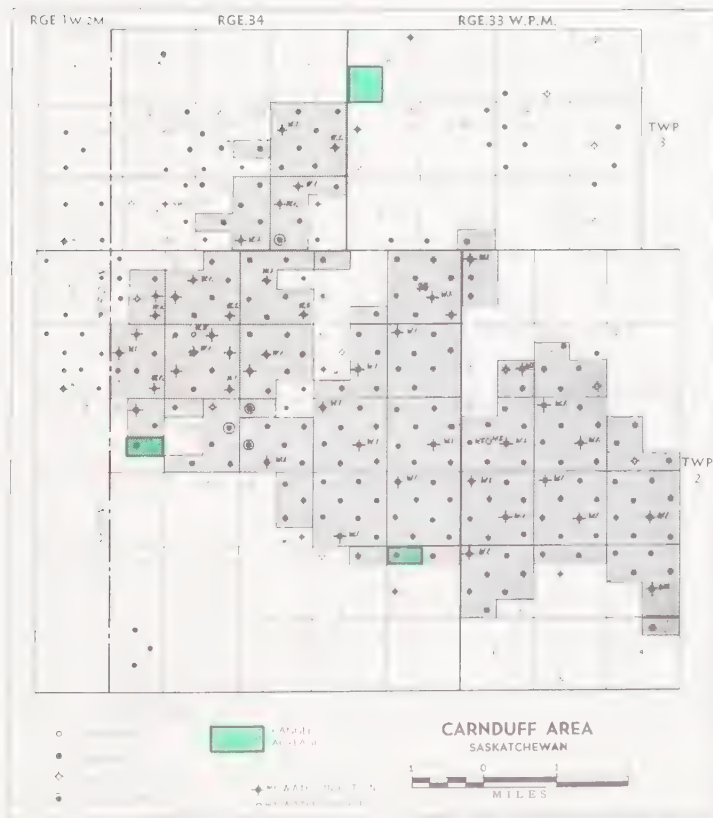
In June 1957, we completed Maygill Bralsaman 15-32 with a potential of 40 barrels per hour on 24/64 choke, no water, and in December 1957, Maygill Bralsaman 5-32, for a potential of 100 barrels per hour. Both wells are flowing to a common battery and connected to the Westspur Pipeline. We own an 85% interest in this lease. The oil is 40° gravity, sweet. The producing horizon is Mission Canyon limestone.

At the October 12, 1965 Saskatchewan Crown Sale, we purchased NE¼ of Section 6, Twp. 6, Rge. 32 W1M and SE¼ of Section 22, Twp. 6, Rge. 33 W1M. Subsequently, these new Alida leases have been farmed out.



West Carnduff Unit

In 1959, we drilled Ranger Bralsa Carnduff 7-20 as an excellent flowing well. The producing horizon is Midale limestone. Oil is 39° gravity, sweet. Ranger interest is 85%. This lease is now part of the West Carnduff Unit.



East Carnduff Unit

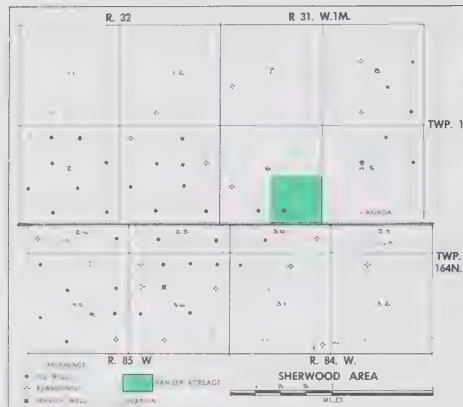
The NW¼ of Sec. 12, Twp. 2, Rge. 34 W1 was farmed out with Ranger reserving 12½% overriding royalty interest. A good well was completed from the Midale limestone in December 1958. This lease is included in the East Carnduff Unit. The oil is 39° gravity, sweet.

Midale

The Company owns the $S\frac{1}{2}SE\frac{1}{4}$ of Sec. 29, Twp. 6, Rge. 11 W2.

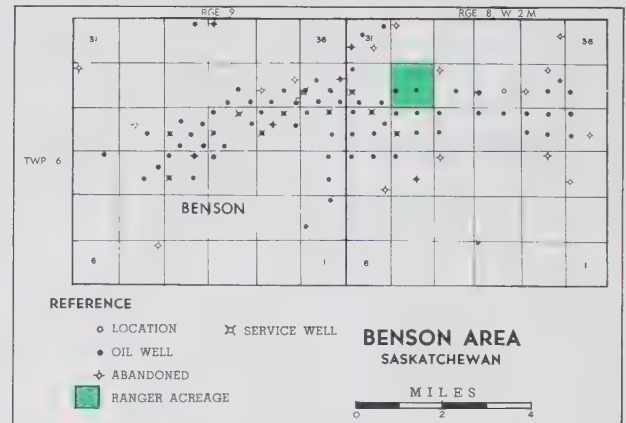
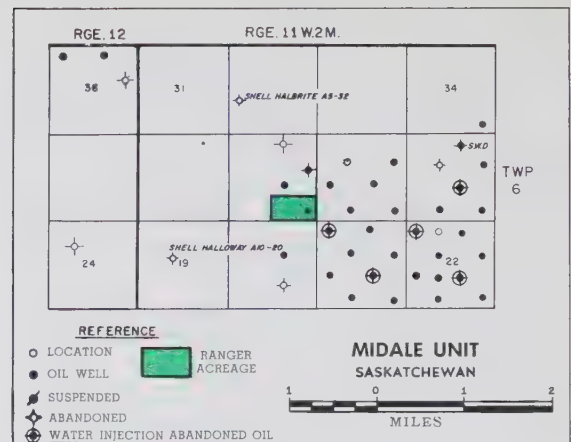
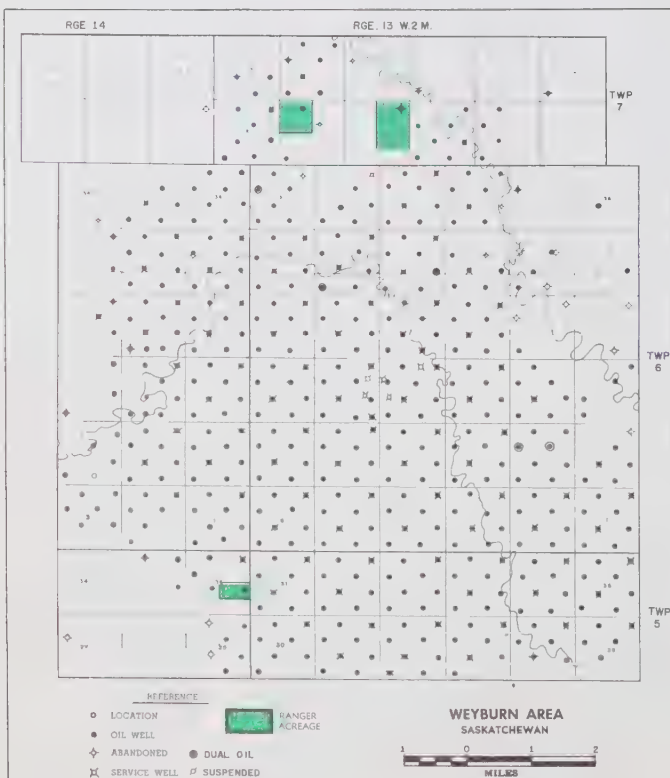
In 1960, we drilled Ranger Bralsa Halbrite 1-29 which is a good producer from the Midale limestone. This oil is 29° gravity, sweet.

The Midale field was unitized in 1962 and this lease is now part of the Midale Unit.



Sherwood

On October 13, 1964, Ranger purchased 100% for its account, Crown Parcel #64 at a cost of \$5,150. On March 13, 1965, we completed Ranger Sherwood 2-6-31 W1M with initial potential of 118 bbls. per day clean oil. This oil is 29° gravity. Wellhead price for this crude is \$2.195. The well is producing from the Sherwood limestone of Mississippian Age.



Benson

At the April 5, 1960 Saskatchewan Crown Sale, we purchased the $SW\frac{1}{4}$ of Sec. 29, Twp. 6, Rge. 8 W2. This lease is offset to the west and south by Midale oil producers.

In 1961, we purchased the $SE\frac{1}{4}$ of this same Section 29.

In 1964, we farmed this half section to Husky Oil Canada Limited on basis of Husky drilling and completing two wells into tanks for 65% interest. Husky Ranger Benson 7-29 was completed in the Frobisher zone and Husky Ranger Benson 5-29 completed in the Midale. At the December 8, 1964 Saskatchewan Crown Sale, Husky and Ranger purchased the $N\frac{1}{2}$ of this Section 29.

Weyburn

In November 1958, we completed Ranger Bralsa Hernstadt 14-5 from the Marly and Upper Vuggy zones of the Midale limestone. This oil is 33° gravity, sweet.

In January 1960, we drilled Ranger Bralsa Roughbark 8-36 which was completed in the Midale limestone. This oil is 29° gravity, sweet.

The Weyburn field was unitized in 1963 and both the above leases are included in the Unit.

Rapdan

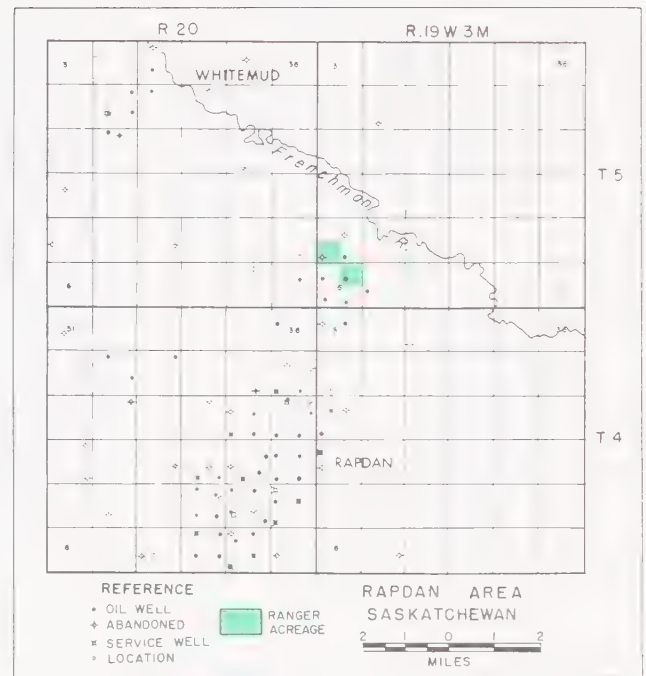
At the August 10, 1965, Saskatchewan Crown Sale, Ranger, along with Western Decalta Petroleum Limited and Hudson Bay Mining & Smelting Co., Limited, purchased the following lands at Rapdan in Saskatchewan, Ranger's interest 15%:

Lease No. PN 6897 - NE¼ - Section 6, Township 5, Range 19 W3M

Lease No. PN 6898 - SW¼ - Section 7, Township 5, Range 19 W3M

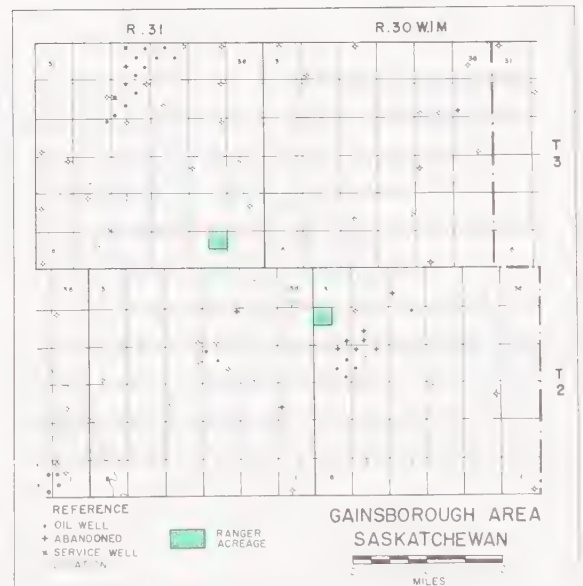
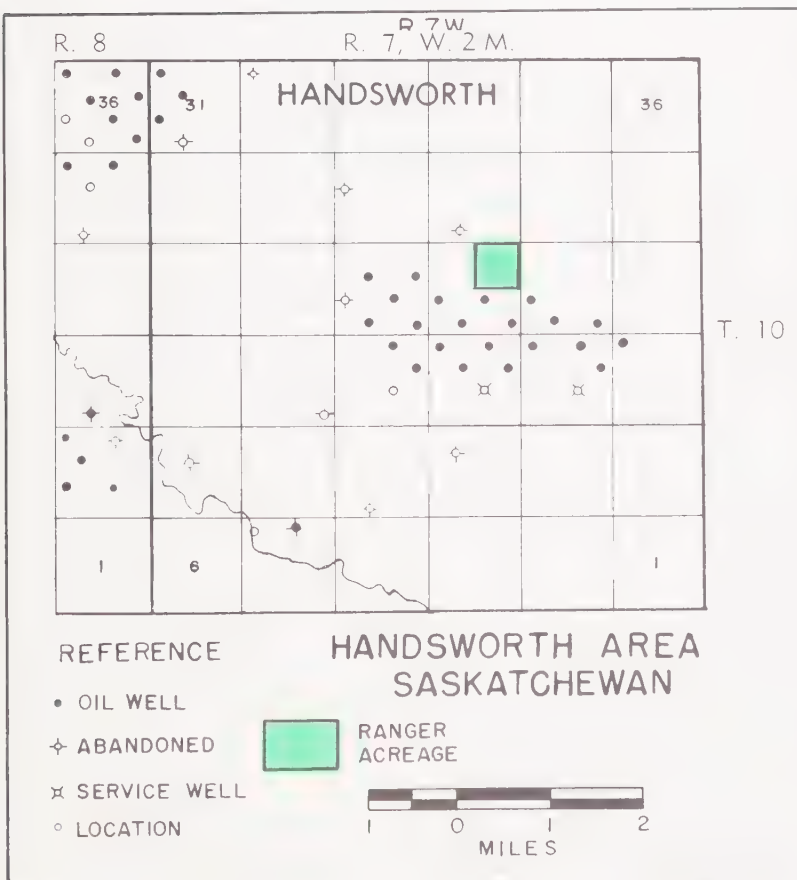
Two wells have been drilled on the property, Decalta Ranger Rapdan 10-6-5-19 W3M, a producing well and Decalta Ranger Rapdan 4-7-5-19 W3M, a dry hole.

This oil is 22° gravity.



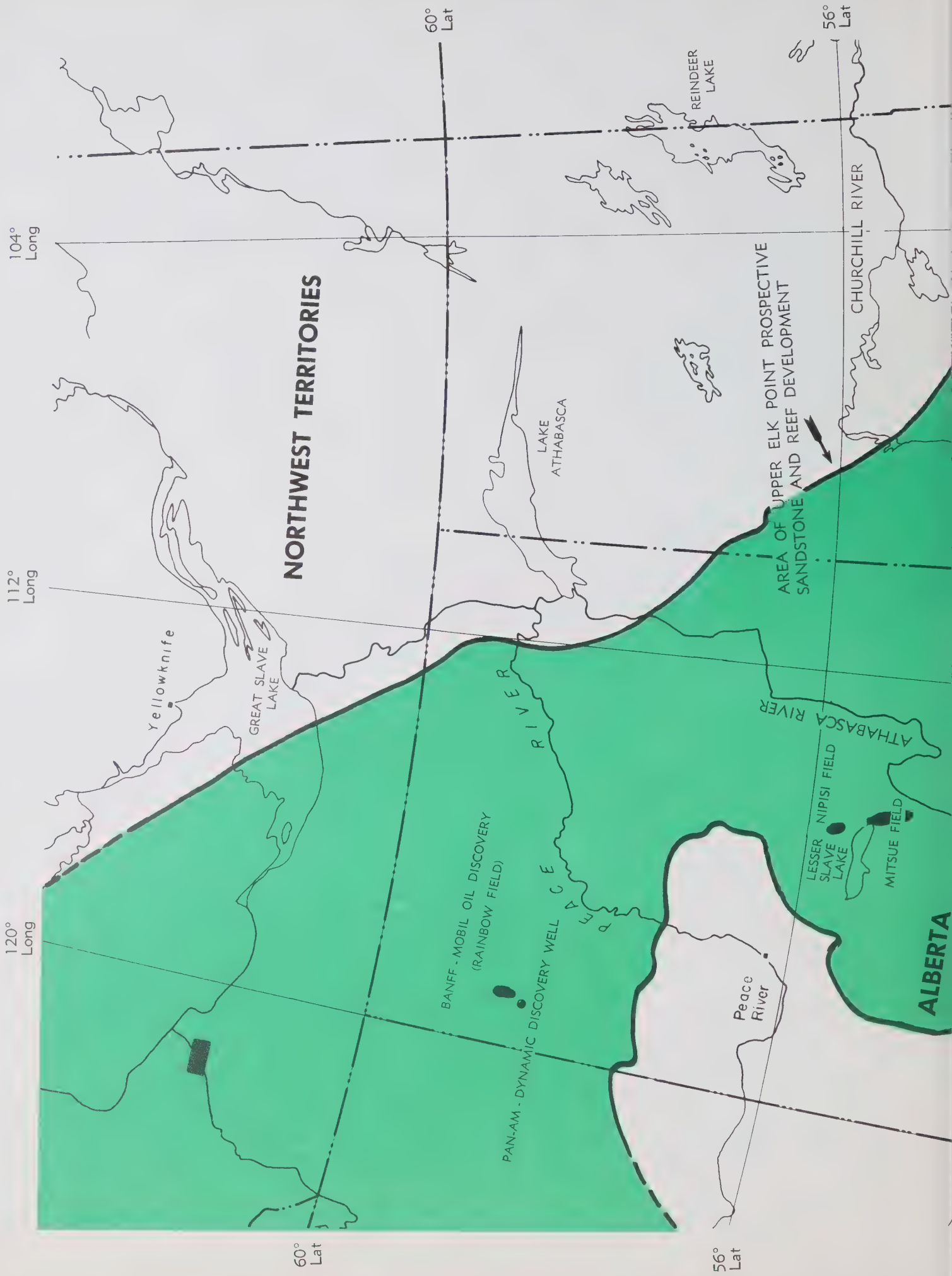
Handsworth

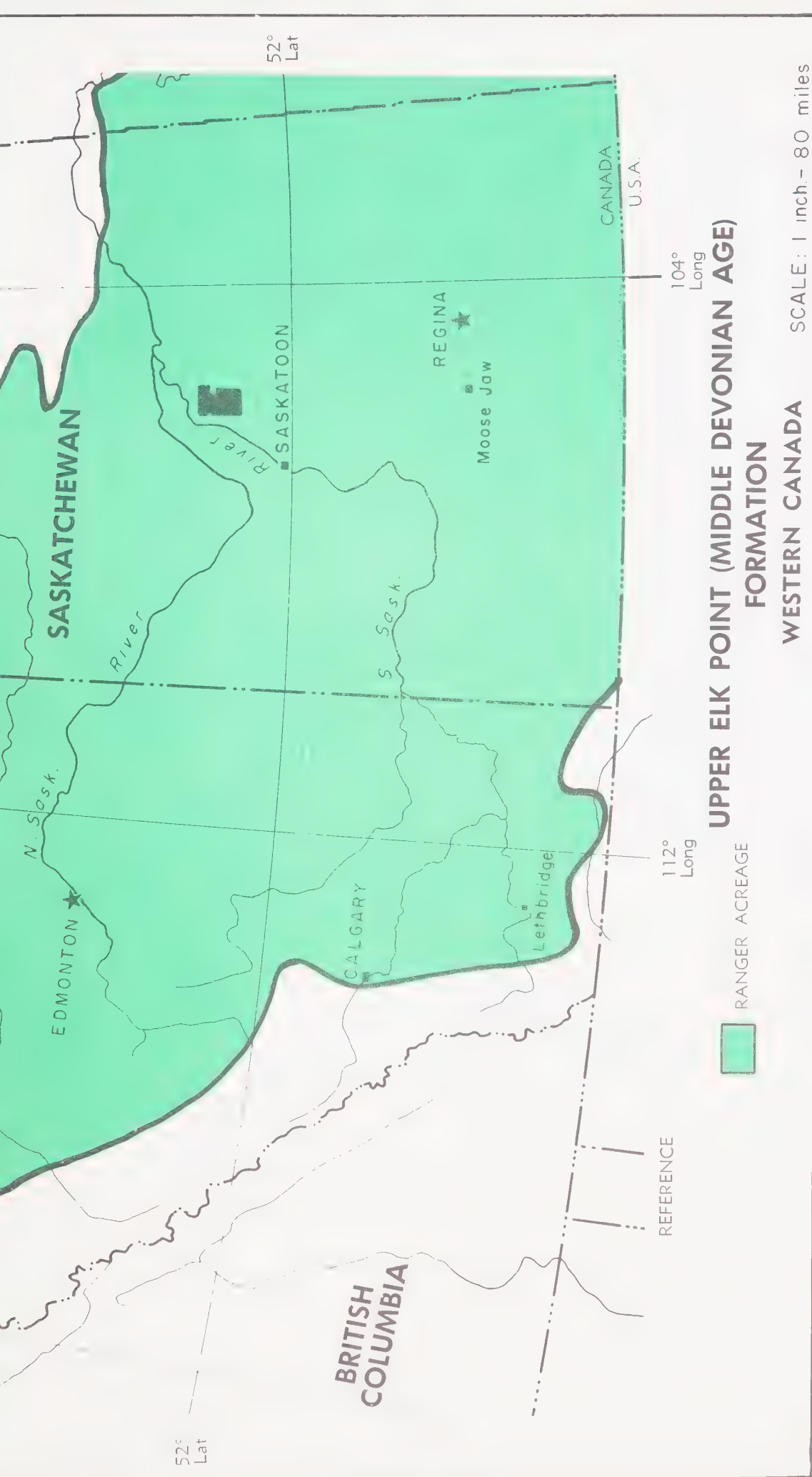
On August 10, 1965, Ranger Oil acquired the NE¼ of Section 22, Twp. 10, Rge. 7 W2M at the Saskatchewan Crown Sale. Offset production is currently averaging 50-60 barrels oil per day and is from the Alida beds of Mississippian age. Ranger interest is 100%.



Gainsborough

At the Saskatchewan Crown Sale on August 10, 1965, we acquired the NW¼ of Section 30, Twp. 2, Rge. 30 W1M and NE¼ of Section 2, Twp. 3, Rge. 31 W1M in the Gainsborough Area of Saskatchewan. Ranger interest is 100%.





The Company's prime area of exploration interest is the Middle Devonian trend which stretches from Central Saskatchewan across Northern Alberta into the Northwest Territories. The main potential reservoir rocks in this trend are the Beaverhill Lake group, Muskeg and Keg River carbonates and the Gilwood sandstone. The Beaverhill Lake group includes the Swan Hills and Slave Point carbonates, the former is the productive zone at Swan Hills, Sturgeon Lake and Deer Mountain fields; the Muskeg and Keg River are the producing horizons at Rainbow and the Gilwood sandstone is the producing horizon at Mitsue and Nipisi.

BRITISH COLUMBIA

At the Crown Reserve Sale of February 25, 1965, the group of Western Decalta Petroleum Limited, Camerina Petroleum Corporation and Ranger, one-third each, purchased three parcels of land north of Fort St. John, B.C. of approximately 700 acres for a total price of \$25,688 as shown on the accompanying map. These lands are situated west of production from the Peejay, Wildmint, Milligan Creek and Beaton River oil fields. Production in these fields is from the Halfway sandstone of Triassic Age. The Halfway formation in this area is an ancient beach deposit with very good uniform porosity and permeability.

On August 25, 1965, Ranger and Western Decalta Petroleum Limited acquired four blocks comprising approximately 2,255 acres at the British Columbia Crown Sale. One of these blocks is near the Peejay oil field and was just recently offset by an oil well drilled by Texaco of Canada Ltd. Ranger owns 35% interest in this block.

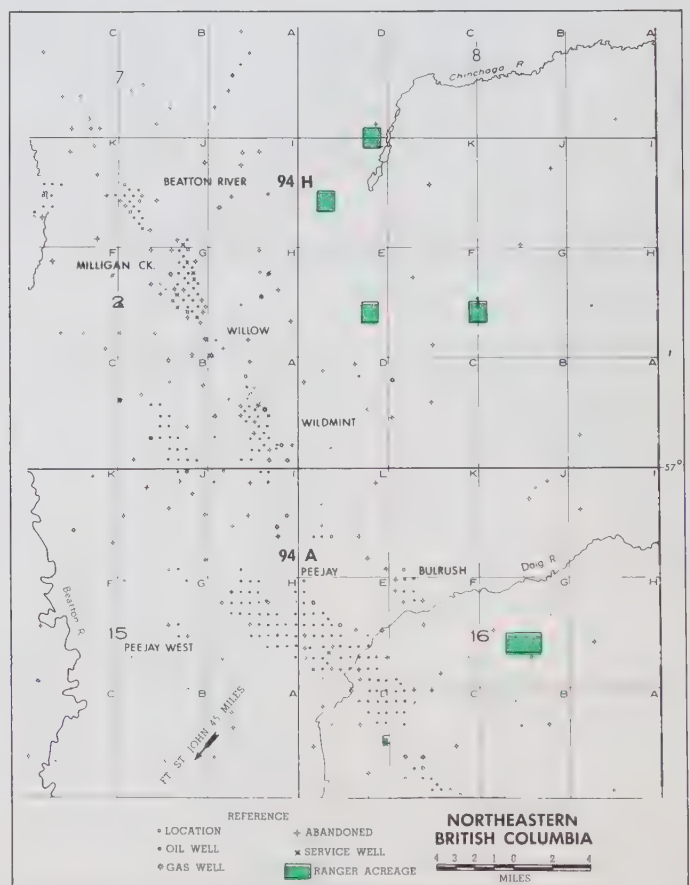
NORTHWEST TERRITORIES

In April 1965, Ranger filed on 61,272 acres in the Northwest Territories, north of the recent Banff Oil discovery at Rainbow Lake. The acreage is registered as Government of Canada Permit No. 4195, Lat. $61^{\circ} 30' N$, Long. $122^{\circ} 00' W$.

On November 3, 1965, Ranger filed on two additional permits in the Northwest Territories. This acreage is registered as Government of Canada Permit No. 4484, $61^{\circ} 30' N$ Latitude, $121^{\circ} 30' W$ Longitude, containing 61,272 acres and Permit No. 4485, $61^{\circ} 30' N$ Latitude, $121^{\circ} 45' W$ Longitude, containing 61,272 acres. Ranger interest is 100% in the 183,816 acres.

CENTRAL SASKATCHEWAN

In order to improve our land holdings in the area of known Keg River - Winnipegosis reefal carbonates, Ranger Oil, along with Pembina Pipe Line Limited, acquired two permits in Central Saskatchewan. These permits were acquired January 17, 1966 and total 111,727 acres, Ranger's net acreage being 55,363 acres. The accompanying map shows the location of these permits in relation to the area of known Keg River - Winnipegosis deposits.



Canada

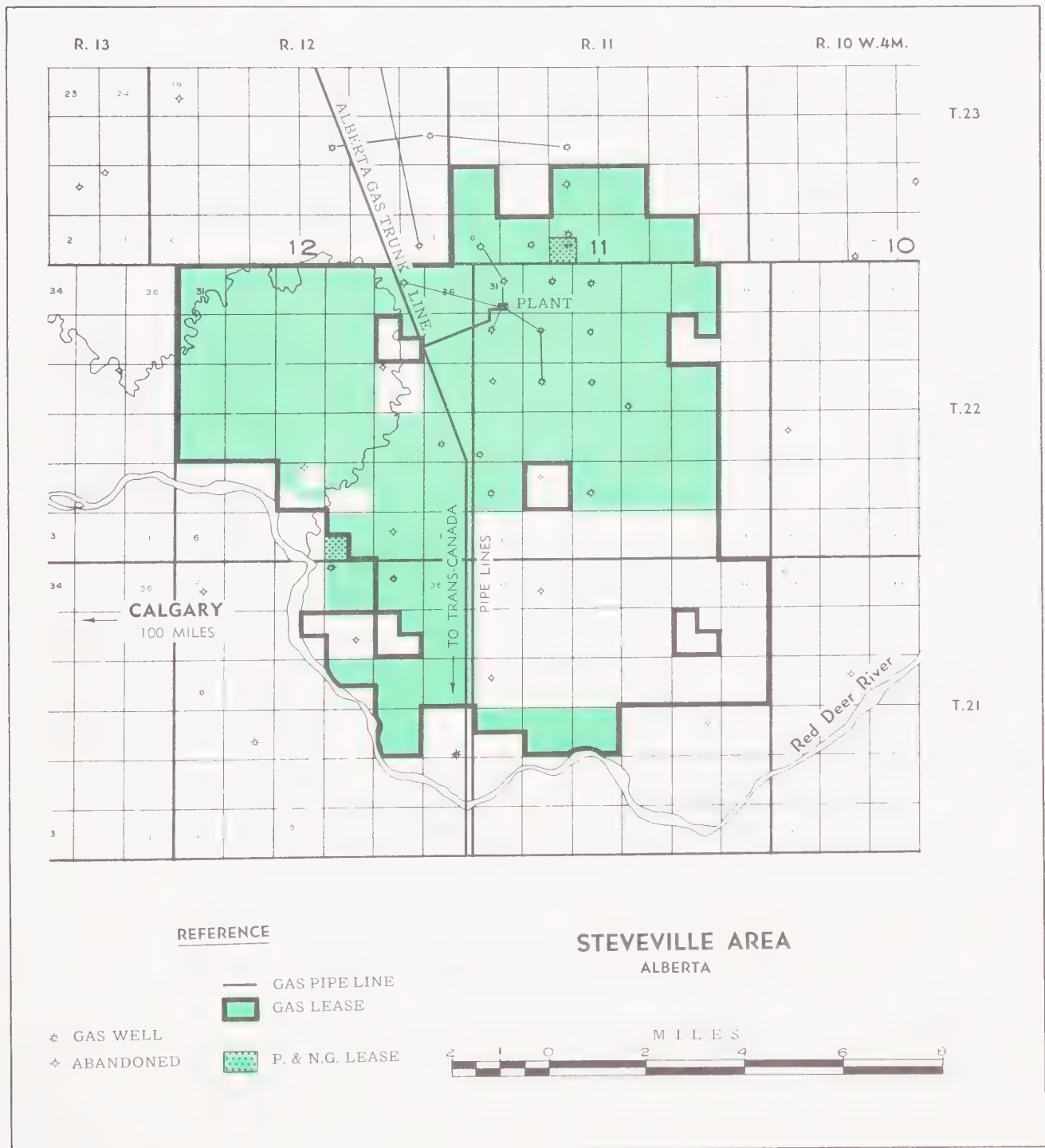
Gas Properties

Ranger owns gas properties in five Alberta areas: Steveville, Viking Kinsella, Hanna, Craig Lake, and Namao. All of these properties now connected to market outlets.

Steveville - Cessford Gas Composite

In September 1958, the Steveville gas field was placed on stream to Trans-Canada Pipe Lines Limited. Ranger and associates own 60,306 acres

in the Steveville-Cessford area. This property is approximately 25% of the Steveville-Cessford composite, in which one trillion cubic feet of reserves are developed.



Most of the 20 wells already drilled on the Ranger property have high pressure and high deliverability capable of flowing into the line without the help of compressors. The expected life of these wells is in excess of 20 years. The gas in this reservoir is dry.

The drilling of new wells could substantially increase the reserves. There are 67 undeveloped sections in this lease block.

In 1960, a supplementary contract on new reserves was signed with Trans-Canada Pipe Lines. An agreement was also made with Trans-Canada allowing high daily takes from the big wells.

Ranger owns 14.2973% interest in the Steveville field. In addition, Ranger owns a one-third interest in the original Steveville 1A discovery well and drainage area.

In late 1963, an additional supplemental contract was signed with Trans-Canada Pipe Lines Limited. To supply this contract, the following three new wells were completed in December 1963 with associated gathering system:

Steveville 11-20, Lsd. 11-20-22-11 W4M.

Steveville 11-30, Lsd. 11-30-22-11 W4M.

Steveville 10-35, Lsd. 10-35-22-12 W4M.

The net result is that since January 1, 1964 we have been delivering approximately 33 million cubic feet per day from Steveville.

Ranger recently increased its interest in a large portion of the undeveloped lands at Steveville from 14.2973% to 40.85%.

Viking Kinsella

Eleven wells drilled to date on the Company's 22,997 acre property have confirmed the presence of sizeable multiple reservoirs with gas being found in commercial quantities in seven horizons. Ranger owns 50% interest in the gas unit and all other lands in this area.

The uppermost (Viking sandstone) reservoir in this field has been the prime supplier of natural gas for the Edmonton, Wetaskiwin and Red Deer markets for many years.

Ranger's geological department, after making an extensive subsurface and seismic study, recognized the potential of the lower zones. This led

to the development of these reserves on the pipeline now serving the Edmonton area markets.

The Company markets gas to Northwestern Utilities, Limited, Edmonton. This concentrated reservoir with its high deliverability dry gas wells is admirably suited to the peak load Edmonton markets and the Company anticipates substantial income from this property for many years.

Ranger Westates Viking 10-21Mu was the first well connected to the pipeline in December 1956. The gathering system was extended in 1957 to connect Ranger Westates Viking 6-15, 6-18Mu and 11-7 wells.

In 1959, we connected the 7-10 well to the pipeline. Another development well was drilled, Ranger Westates Viking 7-28 in 1961. This well found gas in two zones, and drillstem tested approximately five million cubic feet per day.

Again, in 1962, another development well was drilled, Ranger Westates Viking 6-28 which extended the Viking gas reservoir northeast.

The five-year primary term of our contract with Northwestern Utilities, Limited, expired December 31, 1961. After lengthy negotiations, we reached agreement resulting in substantial increase in volume and price.

Generally, the agreement provides that this gas unit will receive 16% of the net Viking Kinsella withdrawals for the five-year period 1962-1966 inclusive.

This agreement resulted in a program of new completions, connections and gathering lines in the fall of 1962 in order to provide deliverability. This in turn was responsible for the discovery of a new zone — the Wainwright sand in Ranger Westates Viking 6-22 which has an open flow potential of 4.4 million cubic feet per day.

In 1963, we again accomplished new completions at Viking Kinsella. Ranger Westates Viking 11-7 was dually completed in the Viking sand. It has been a large Basal Quartz producer since 1957. Ranger Westates Viking 6-15 was recompleted in the D2.

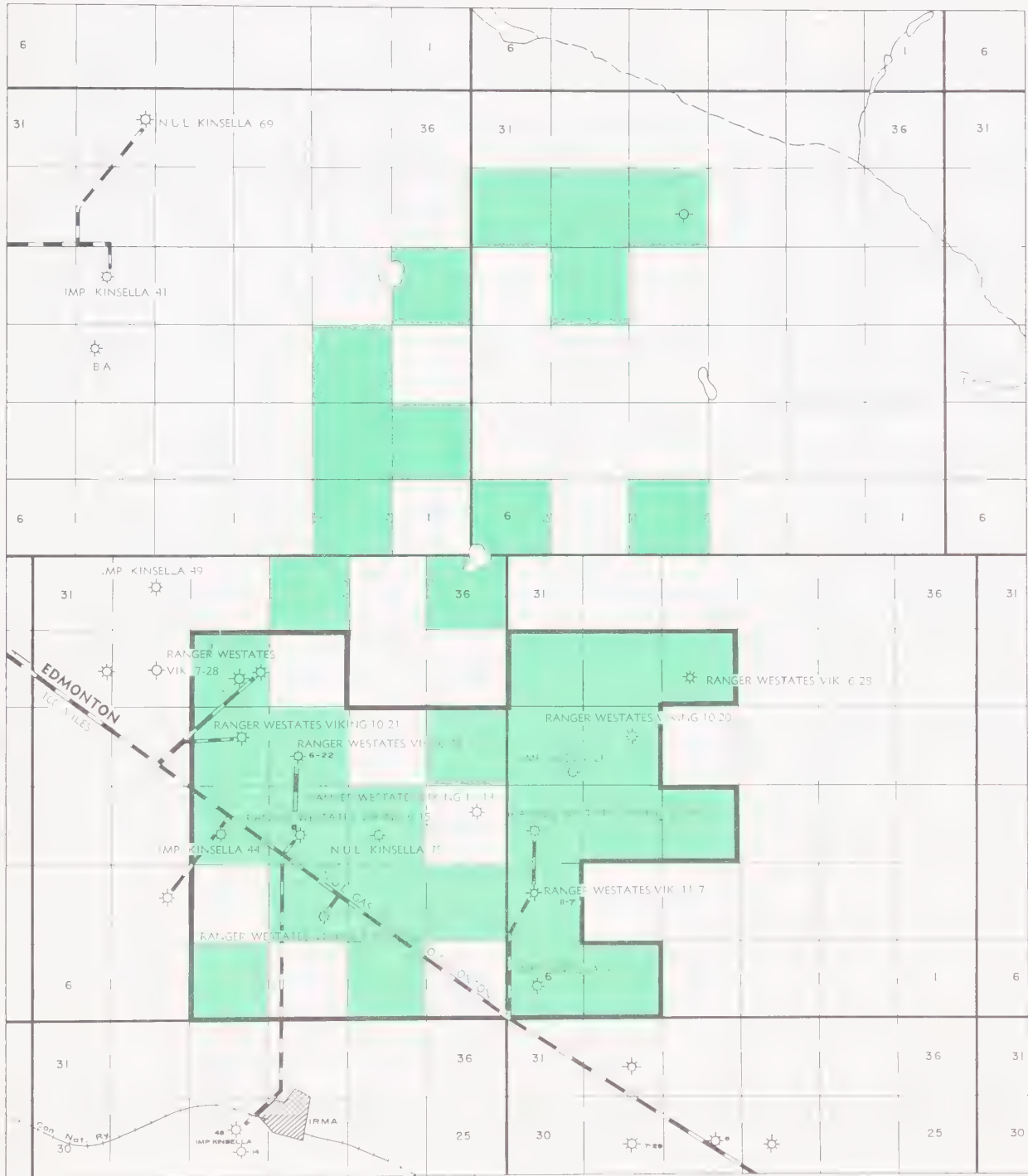
1965 sales were approximately 2.4 billion cubic feet. These lower sales are due to intrusion of flare gas from the depleting Pembina and Swan Hills oil fields. Under Alberta legislation, oil field flare gas has priority to market.

NEW COMPLETIONS

<i>Well</i>	<i>Zone</i>	<i>Absolute Open Flow</i>
Ranger Westates Viking 7-28	Wainwright sand	7.7 million cubic feet per day
	Basal Quartz sand	9.5 million cubic feet per day
Ranger Westates Viking 10-21	D3	7.55 million cubic feet per day
Ranger Westates Viking 6-22	Wainwright sand	4.4 million cubic feet per day
	D2	26.0 million cubic feet per day

RGE. 9 W. 4

RGE. 8 W. 4 M



REFERENCE

- LOCATION
- ⊙ ABANDONED
- ⊙ GAS WELL

— GAS PIPE LINE —

■ RANGER ACCEASE

— UNIT AREA

VIKING KINSELLA AREA
ALBERTA



T. 47

T. 46

T. 45

Hanna Gas Field

The Company owns three gas wells in this area. One wholly owned well is connected and marketing to the Town of Hanna. A back pressure test on this well, Hanna Petroleum No. 1, in July 1956, gave 12.5 million cubic feet of dry gas per day open flow potential.

Craig Lake Gas Field

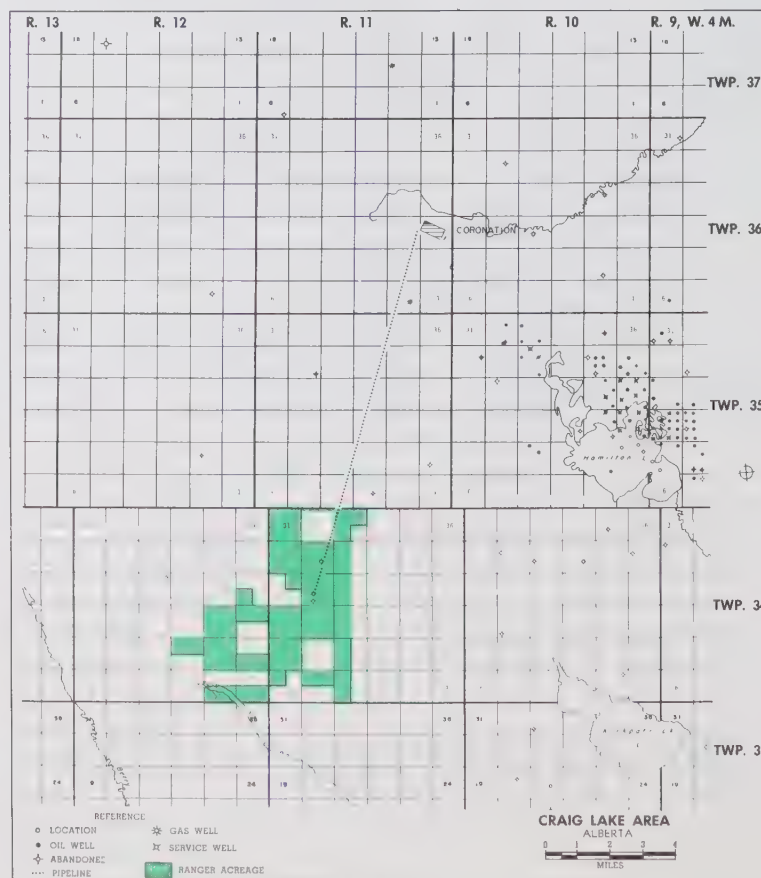
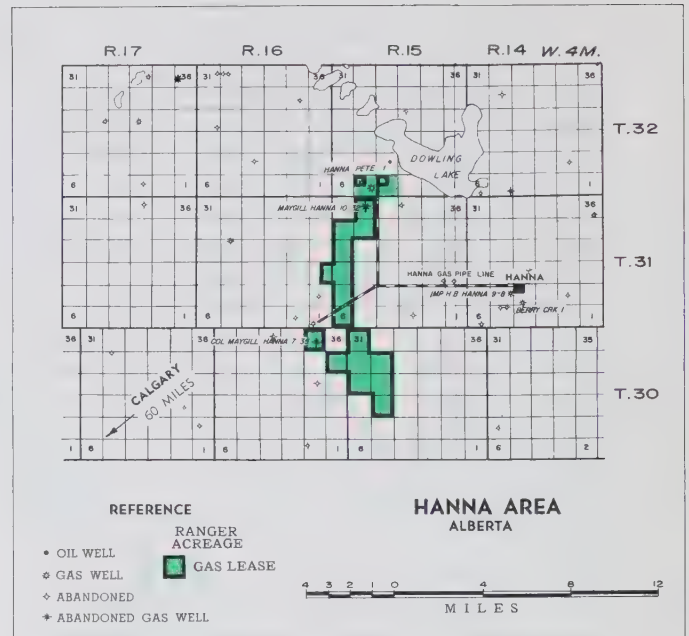
In 1957, we drilled a confirmation well C.B.E.O. Maygill Craig Lake 7-29, 1¼ miles north-east of discovery 6-20. This second well is almost identical to the discovery with two well developed sands testing approximately three million cubic feet of dry gas per day.

The gas licence has now been converted to gas lease as shown on the map.

In 1964, we purchased half interest in this property and the Company now owns Craig Lake 100%.

In September 1965, the pipeline to the Town of Coronation was completed, along with the utility installations in the Town.

The response of the citizens to the natural gas availability has exceeded expectations.



RANGER OIL COMPANY

Ranger Oil Company of Lusk, Wyoming, is a wholly-owned subsidiary of Ranger Oil (Canada) Limited.

Officers and Directors

J. M. PIERCE, B.Sc., P.ENG. — *President and Director*

R. CHAMBERLAIN — *Secretary and Director*

*J. W. AGNEW — *Treasurer and Director*

W. B. MILNER — *Director*

P. C. BADGLEY, Ph.D., P.ENG. — *Director*

D. G. FLANAGAN — *Assistant Secretary*

*We report with great regret the death of John W. Agnew, a Director of Ranger Oil Company, at the age of 92. Mr. Agnew was one of the original incorporators of the Company, and was Director of the Parent until advanced years. Mr. Agnew was one of the pioneers in Wyoming oil, as well as being one of the largest and best known ranchers in the American West for over a half century. Mr. Agnew was a Director of the Buck Creek Oil Company, a subsidiary of Continental Oil of Delaware. Mr. Agnew's initiative and imagination contributed to the early success of the Company.

NEW LAND ACQUISITIONS

We have initiated in Ranger Oil Company, an aggressive program of new land acquisitions which has resulted in Ranger acquiring 11,457 net acres of new leases as itemized below:

<i>State</i>	<i>Ranger's Net Acreage</i>
Colorado	1,749 acres
Louisiana	40 acres
Mississippi	789 acres
Montana	280 acres
New Mexico	800 acres
North Dakota	1,201 acres
South Dakota	676 acres
Utah	1,772 acres
Wyoming	4,150 acres

WYOMING

Ant Hills

In August 1961, Ranger Oil Company drilled a wildcat well in the centre of the Ant Hills, Wyoming land block. This well was substantial discovery in the Dakota sand. Initial swab tests gave recovery of 24 bbls. per hour clean oil with fluid level steady at 2,600 feet. After fracture treatment, the well swabbed 44 bbls. per hour with fluid level at 500 feet. The discovery has produced and sold some 200,000 bbls. of oil.

The Company owns approximately 90% in over 7,000 acres in the immediate area of the discovery. Our Ant Hills oil is 36° gravity, sweet crude. We have developed substantial market for this oil and

RGE. 64 W.

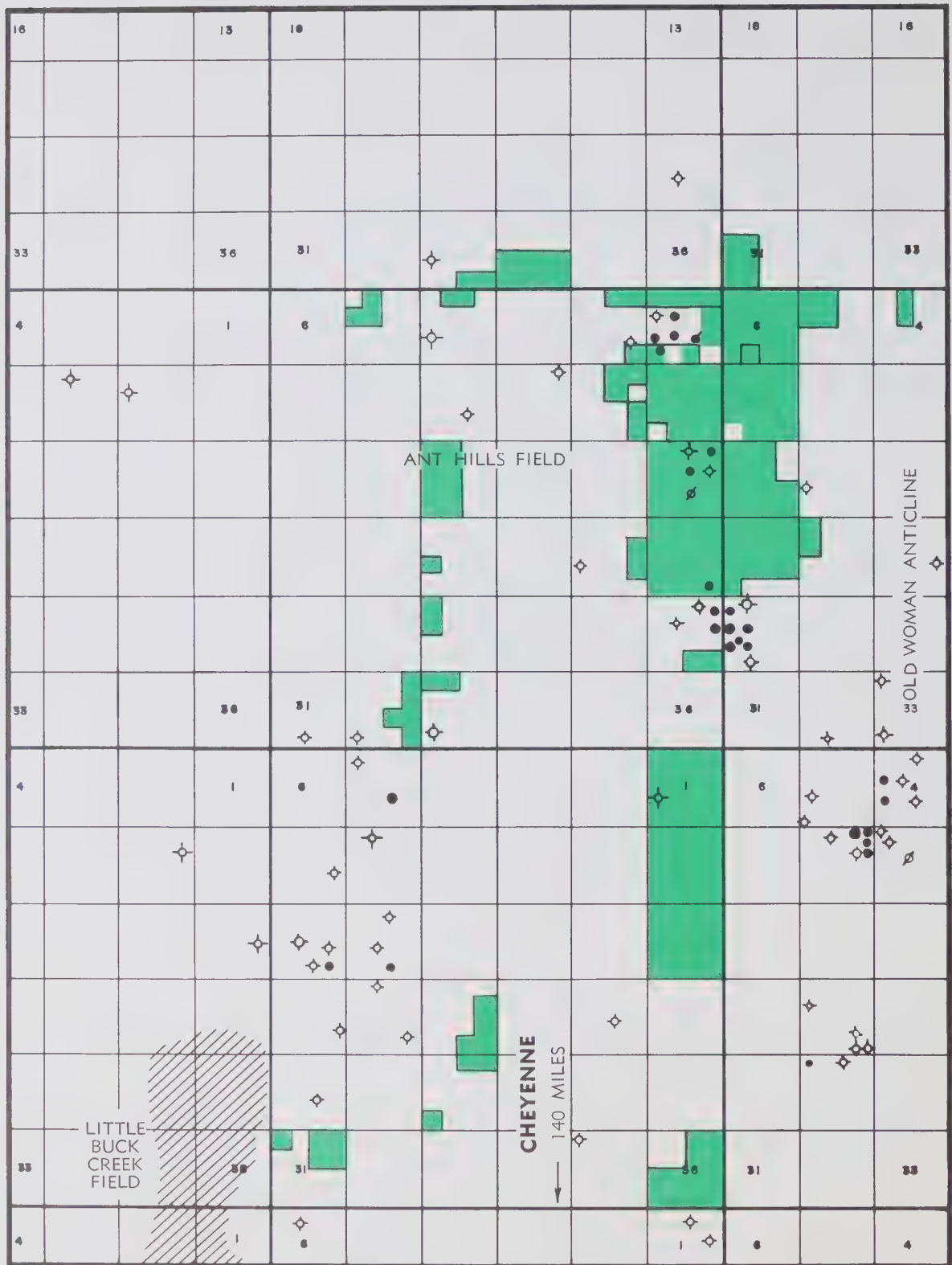
RGE. 63 W.

RGE. 62 W.

TP. 38 N

TP. 37 N

TP. 36 N



R E F E R E N C E

- OIL WELL
- ◊ SUSPENDED
- ◊ ABANDONED

 RANGER ACREAGE

ANT HILLS AREA
WYOMING



are selling all we can produce at wellhead price of \$2.50 per barrel.

This large complicated structure will be the object of further exploration by the Company for some years to come.

In 1963, Sun Oil Company made a substantial discovery in the Dakota sandstone at South Ant Hills. Seven producing wells were rapidly drilled in this pool as shown on the map.

In 1964, we completed an offset to the Sun Oil production — Ranger Tom Bell Gov't #1, SE SE - Sec. 24, Twp. 37N, Rge. 63W, 6 PM.

We have acquired considerable new properties on the Ant Hills Anticline during the past year.



KANSAS

Ranger operates four wells in Barton and Graham Counties. All leases have maintained allowable production without any evidence of decline during the last year. Our Kansas producibility is over double the present allowable. This oil is 36° gravity, sweet.

NORTH DAKOTA

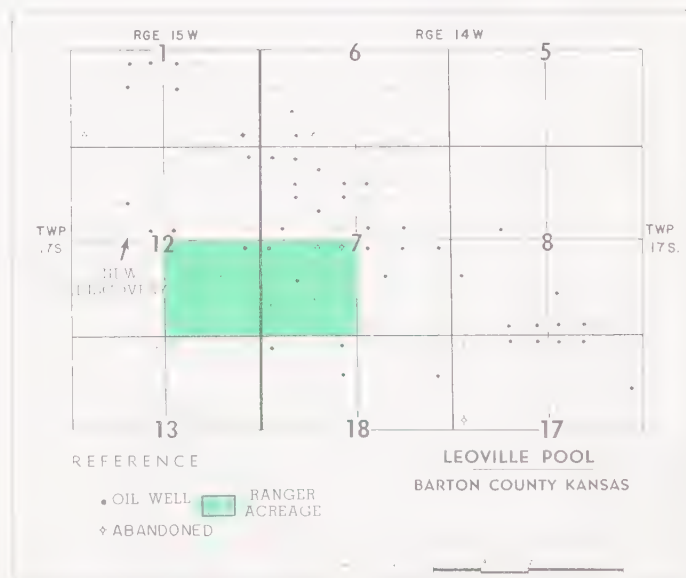
Burke County

This area is approximately 10 miles south of the Saskatchewan border in the Williston Basin.

In 1963, Burke County became a region of substantial interest to Ranger Oil Company. The first Pan American - Ranger joint location — Pan American - Ranger Winzenburg Unit No. 1, NE SE-10-161-92 was completed as a flowing well from the Nesson limestone at rate 192 bbls. per day. In January 1964, we followed this up with a west step-out — Pan American-Ranger Griffith Unit No. 1, NE SW-10-161-92. This was completed as an almost identical well to the Winzenburg, flowing 186 bbls. per day from the Nesson limestone.

In September 1964, Pan American Petroleum Corporation and Ranger completed another well, Pan American-Ranger Carroll-Grandall Unit No. 1, NW SW-24-161-92.

During the summer of 1965, in partnership with Anschutz Oil Co. of Denver, Ranger drilled two excellent wells in Burke County:



Anschutz Ranger Grandall No. 1,
SE SE-14-161N-92W—Ranger interest 71%.

Anschutz Ranger No. 1 Ellsworth-Noble,
SE NE-14-161N-92W—Ranger interest 38%.

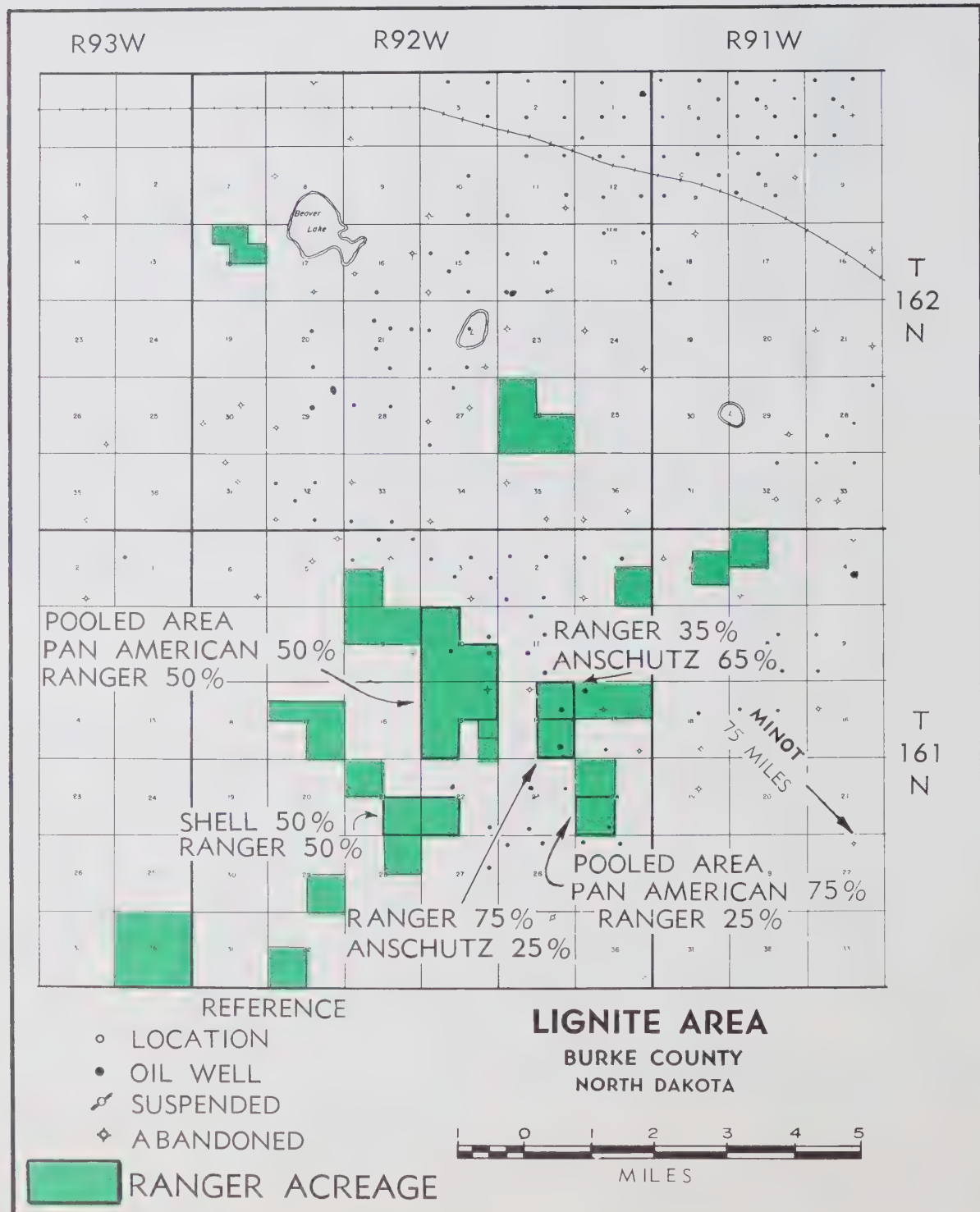
Both these wells initialed over 300 barrels per
day flowing from the Nesson limestone.

We farmed out the N½-13-161N-92W to Al-
pine Oil Company, Inc., reserving 1/16 of ⅞ over-

riding royalty interest. Alpine has completed a
producing well on the NW NW-13, as shown on
the accompanying map.

We also drilled a dry hole in partnership with
Pan American Petroleum Corporation, the Win-
zenburg B Unit No. 1.

As may be seen on the accompanying map,
Ranger still has considerable close-in lands in this
area.





Pan-American - Ranger well drilling on Winzenberg base in North Dakota.



Late director John W. Agnew at Gov't #2 discovery in Wyoming.



Dual zone gas well at Viking - Kinsella, Alberta.

Steam boiler and battery on Wyoming lease.



Ranger Tom Bell Gov't #1.



RANGER OIL (CANADA) LIMITED

and subsidiary companies

CONSOLIDATED BALANCE SHEET

ASSETS

	1965	1964
CURRENT ASSETS		
Cash	\$ 63,977	\$ 76,086
Marketable securities, at cost (quoted market value 1965 — \$20,081; 1964 — \$61,575) . . .	29,054	72,846
Accounts receivable	172,154	185,950
Inventories of materials and supplies, at cost	1,197	11,511
Total current assets	266,382	346,393
OTHER INVESTMENTS AND ADVANCES, at cost	15,341	48,554
PROPERTY, PLANT AND EQUIPMENT		
Petroleum and natural gas leases, reservations and rights, including development and equipment thereon		
Producing, at cost	4,401,938	2,067,684
Less accumulated depletion and depreciation	1,290,037	1,159,493
	3,111,901	908,191
Non-producing, at cost less amounts written off	1,037,704	1,337,464
Other equipment, at cost \$90,310		
Less accumulated depreciation 61,399	28,911	33,958
	4,178,516	2,279,613
OTHER ASSETS		
Loan to officer for purchase of residence	45,600	—
Miscellaneous	31,118	26,732
	76,718	26,732
	<u>\$4,536,957</u>	<u>\$2,701,292</u>

AS AT DECEMBER 31, 1965

LIABILITIES

	<u>1965</u>	<u>1964</u>
CURRENT LIABILITIES		
Current portion of bank loan	\$ 370,000	\$ 81,000
Accounts payable	263,470	114,634
Loan from shareholder	100,000	—
Total current liabilities	<u>733,470</u>	<u>195,634</u>
BANK LOAN, payable out of production and		
evidenced by demand notes	1,780,000	436,000
Less portion included in current liabilities	<u>370,000</u>	<u>81,000</u>
	<u>1,410,000</u>	<u>355,000</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 4)		
Authorized		
3,000,000 shares of no par value		
Issued, fully paid (Note 4)		
1,607,399 (1964 — 1,587,399) shares	3,015,937	2,995,937
DEFICIT, per attached statement	<u>622,450</u>	<u>845,279</u>
	<u>2,393,487</u>	<u>2,150,658</u>

Approved on behalf of the Board:


Director


Director

<u>\$4,536,957</u>	<u>\$2,701,292</u>
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The accompanying notes to consolidated financial statements are an integral part of the above statement.

RANGER OIL (CANADA) LIMITED
and subsidiary companies

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 1965

	<u>1965</u>	<u>1964</u>
INCOME		
Oil and gas	\$ 696,454	\$ 712,957
Investment	26,751	24,879
Other	38,461	40,327
	<u>761,666</u>	<u>778,163</u>
OPERATING EXPENSES		
Well operating	144,561	128,177
Carrying costs of non-producing properties	15,204	14,389
Exploration and unproductive development	24,908	30,214
Properties surrendered	8,745	21,325
Depletion of producing properties	75,341	66,112
Depreciation of equipment	72,281	60,736
General and administrative	125,358	110,771
Interest	72,439	4,007
	<u>538,837</u>	<u>435,731</u>
NET INCOME for the year	<u>\$ 222,829</u>	<u>\$ 342,432</u>

CONSOLIDATED STATEMENT OF DEFICIT

FOR THE YEAR ENDED DECEMBER 31, 1965

	<u>1965</u>	<u>1964</u>
DEFICIT at beginning of year	\$ 845,279	\$1,227,322
Adjustment of prior year's depletion provision	—	39,611
	<u>845,279</u>	<u>1,187,711</u>
Net income for the year	222,829	342,432
DEFICIT at end of year	<u>\$ 622,450</u>	<u>\$ 845,279</u>

The accompanying notes to consolidated financial statements are an integral part of the above statements.

RANGER OIL (CANADA) LIMITED
and subsidiary companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT DECEMBER 31, 1965

Note 1 PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of the company include the accounts of all subsidiary companies, each of which is wholly-owned.

The accounts of foreign subsidiaries are converted to Canadian dollars on the following basis:

- (a) Current assets and current liabilities
At the rate of exchange in effect as at the balance sheet date.
- (b) Fixed assets
At the average rate of exchange, for the years in which the respective underlying assets were acquired.
- (c) Income and expense
At the average rate of exchange for the year.

Note 2 ACCOUNTING POLICIES

It is the company's policy to charge all exploration expenses and carrying charges of non-producing properties to income as incurred. Lease acquisition costs are capitalized and are charged to income when the property is determined to be unproductive. The costs of producing leases and producing wells are depleted using the unit of production method based upon estimated recoverable quantities of gas and oil as determined by the company. The cost of drilling a productive well is capitalized and the cost of an unproductive well is charged to income when the well is determined to be dry.

Note 3 INCOME TAX

Depreciation, drilling and exploration expenditures claimed in 1965 for tax purposes, exceeded the corresponding amounts provided in the company's accounts, and as a result no income tax was payable.

Note 4 CAPITAL STOCK

During the year the President of the company exercised, under the option previously granted to him, the right to purchase, for cash, 20,000 shares of the company's treasury stock at \$1.00 per share.

As at December 31, 1965, there was outstanding under the aforementioned non-transferable option the right to purchase a further 30,000 shares of the company's treasury stock at \$1.00 per share. This option is exercisable in annual amounts of 10,000 shares commencing November 1, 1966 for a period of three years, provided always that in the event the said option is not exercised in any one year, it may be exercised in the succeeding years. The option price per share was greater than the market price on the granting date.

AUDITORS' REPORT

To the Shareholders
Ranger Oil (Canada) Limited

We have examined the accompanying consolidated financial statements of Ranger Oil (Canada) Limited and subsidiary companies for the year ended December 31, 1965 comprising the consolidated balance sheet as at that date and the consolidated statements of income, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the aforementioned consolidated financial statements present fairly the financial position of Ranger Oil (Canada) Limited and subsidiary companies as at December 31, 1965 and the results of their operations and the source and application of funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta.
February 25, 1966.

RIDDELL, STEAD, GRAHAM & HUTCHISON,
Chartered Accountants

RANGER OIL (CANADA) LIMITED
and subsidiary companies

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1965

SOURCE OF FUNDS

Funds provided by operations		
Net income for the year	\$ 222,829	
Charges (credits) not involving funds		
Properties surrendered	8,745	
Depletion of producing properties	75,341	
Depreciation of equipment	72,281	
Gain on sale of fixed assets	(20,459)	\$ 358,737
Proceeds on sale of fixed assets		51,724
Decrease in other investments and advances (net)		33,213
Bank loan proceeds (net)		1,055,000
Capital stock issued (Note 4)		20,000
		<u>1,518,674</u>

APPLICATION OF FUNDS

Property, plant and equipment	2,086,621	
Loan to officer for purchase of residence (net)	45,600	
Other	4,300	2,136,521
		<u>2,136,521</u>

DECREASE IN WORKING CAPITAL	617,847
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Working capital at beginning of year	150,759
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WORKING CAPITAL DEFICIENCY at end of year	<u>\$ 467,088</u>
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The accompanying notes to consolidated financial statements are an integral part of the above statement.

